



DEPARTMENT OF THE TREASURY

Community Development Financial Institutions Fund

CDFI and NACA Program Paperwork Reduction Act (PRA)

ACTION: Notice and request for public comment.

SUMMARY: The U.S. Department of the Treasury, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to take this opportunity to comment on proposed and/or continuing information collections, as required by the Paperwork Reduction Act (PRA) of 1995. Currently, the Community Development Financial Institutions Fund (CDFI Fund), U.S. Department of the Treasury, is soliciting comments concerning the Community Development Financial Institutions Program (CDFI Program) and the Native American CDFI Assistance Program (NACA Program) Financial Assistance (FA) and Technical Assistance (TA) Applications, for the Fiscal Year (FY) 2023-FY 2025 funding rounds (hereafter, the Application or Applications). The FA Application includes optional questions that addresses Healthy Food Financing Initiative - Financial Assistance (HFFI-FA), Persistent Poverty Counties - Financial Assistance (PPC-FA) and Disability Funds - Financial Assistance (DF-FA). Information on CDFI Program and NACA Program Applications can be found on the CDFI Fund's website at <https://www.cdfifund.gov/programs-training/programs/cdfi-program> for the CDFI Program and at <https://www.cdfifund.gov/programs-training/programs/native-initiatives> for the NACA Program. The CDFI Fund is required by law to make the Applications publicly available for comment prior to submission for a new PRA number.

DATES: Written comments must be received on or before May 12, 2023 to be assured of consideration.

ADDRESSES: Submit your comments via email to Pooja Patel, CDFI Program and NACA Program Manager, CDFI Fund, at cdfihelp@cdfi.treas.gov or via Service Request in the Awards Management Information System (AMIS).

FOR FURTHER INFORMATION CONTACT: Pooja P. Patel, CDFI Program and NACA Program Manager, CDFI Fund, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW, Washington, DC 20220, or by phone (202) 653-0421, or e-mail to cdfihelp@cdfi.treas.gov. Other information regarding the CDFI Fund and its programs may be obtained on the CDFI Fund website at <https://www.cdfifund.gov>.

Two documents are provided to aid the public in providing comments requested by this Notice. The FA Application and TA Application Templates, which present the questions that will comprise the online FA and TA Applications, show revisions relative to the existing Applications as highlighted in yellow. All documents may be obtained from the Request for Public Comments page of the CDFI Fund's website at <https://www.cdfifund.gov/requests-for-comments>.

SUPPLEMENTARY INFORMATION:

Title: CDFI Program and NACA Program Financial Assistance and Technical Assistance Applications

OMB Number: 1559-0021

Abstract: The CDFI Program is authorized by the Riegle Community Development Banking and Financial Institutions Act of 1994 (Pub. L. No. 103-325, 12 U.S.C. 4701 *et seq.*). Funding for the CDFI Program and the NACA Program is made available by Congress to the CDFI Fund through its annual appropriations. The regulations governing the CDFI Program are found at 12 CFR parts 1805 and 1815 (the Regulations) and set forth evaluation criteria and other program requirements. For a complete understanding of the programs, the CDFI Fund encourages Applicants to review the Regulations, the Notice of Funds Availability (NOFA) for the FY 2022 Application round of the CDFI Program (87 FR 8085, February 11, 2022), the NOFA for the FY

2022 Application round of the NACA Program (87 FR 8107, February 11, 2022), the Applications, and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR part 200) (Uniform Administrative Requirements). Capitalized terms in this Request for Public Comment are defined in the CDFI Program's authorizing statute, the Regulations, the FY 2022 CDFI Program and NACA Program NOFAs, the Applications, Application materials, and the Uniform Administrative Requirements. Through the CDFI Program and NACA Program's FA and TA awards, the CDFI Fund invests in and builds the capacity of for-profit and nonprofit community based lending organizations known as Community Development Financial Institutions (CDFIs).

CDFI Program and NACA Program award Recipients will be competitively selected after the CDFI Fund's careful review of their Applications. The proposed FA Application requires the submission of quantitative and qualitative information about the Applicant's Business Strategy, Products and Services, Market and Competitive Analysis, Management and Staffing, Financial Position, and Growth and Projections. The proposed TA Application requires the submission of quantitative and qualitative information about CDFI Certification Qualifications, an Organizational Overview, Business Strategy, and Use of Funds. Please refer to the FY 2022 CDFI Program and NACA Program NOFAs for additional guidance on the review and Application process for past funding rounds.

This request for public comment seeks to gather information on the CDFI Program and NACA Program TA and FA Applications, which include the optional questions for PPC-FA, HFFI-FA and DF-FA.

Current Actions: Renewal of existing Information Collection.

Type of Review: Regular Review.

Affected Public: Businesses or other for-profit institutions, non-profit entities, and State, local and Tribal entities participating in CDFI Fund programs.

Estimated Number of Respondents for Financial Assistance: 425

Estimated Annual Time per Respondent for Financial Assistance including optional questions:

145 hours

Estimated Total Annual Burden Hours for Financial Assistance: 61,625

Estimated Number of Respondents for Technical Assistance: 225

Estimated Annual Time per Respondent for Technical Assistance: 80 hours

Estimated Total Annual Burden Hours for Technical Assistance: 18,000

Requests for Comments: Comments submitted in response to this notice will be summarized and/or included in the request for Office of Management and Budget approval. All comments will become a matter of public record and may be published on the CDFI Fund's website at <http://www.cdfifund.gov>. The CDFI Fund is seeking: (a) specific input on the content of the FA Application for the CDFI and NACA Programs; (b) specific input on the content of the TA Application for the CDFI and NACA Programs; (c) specific input on the content of the Healthy Food Financing Initiative-Financial Assistance (HFFI-FA) Application; (d) specific input on the content of the Persistent Poverty Counties-Financial Assistance (PPC-FA) Application; (e) specific input on the content of the Disability Funds-Financial Assistance (DF-FA) Application; (f) general input on other CDFI Program and NACA Program-related topics and considerations. The Application Templates for comment may be obtained on the CDFI Fund's website at <https://www.cdfifund.gov/requests-for-comments>.

Comments concerning the Applications are invited on: (a) whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; (d) ways to minimize the burden of the collection of information on respondents, including through the use of technology; and (e) estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services required to provide information. In addition, the CDFI Fund requests comments in response to the following general

questions about the Applications. **Commenters should ensure that their comments are clearly labeled corresponding to each section and question number.**

A. Financial Assistance (FA) Application

The following questions are related to the burden and information requested in the FA Application, and responses may be used to make modifications to the information being requested in the FA Application. Commenters should clearly distinguish their comments related to this section when providing their responses and ensure comments are clearly labeled corresponding to each section and question number.

1. Is the information that is proposed to be collected by the Application necessary and appropriate for the CDFI Fund to consider for the purpose of making award decisions?
2. Are certain data fields, questions or tables redundant or unnecessary? If yes, which ones and why?
3. Should any data fields, questions or tables be added to ensure collection of relevant information?
4. Are there requests for data in the Application that Applicants do not have readily available and that are burdensome to obtain and/or calculate?
5. Are any of the questions particularly burdensome or difficult to answer? If yes, which ones and why?
6. Are there questions that lack clarity as to intent or purpose? If yes, which questions, and what needs to be clarified in order for Applicants to provide a comprehensive response?
7. Are the character limitations for narrative responses appropriate? Should certain questions allow additional or fewer characters? If yes, please specify.
8. What additional guidance can the CDFI Fund provide in order to assist Applicants with completing an FA Application?

9. Business Plan. In general, does the data and information requested in the Application allow an Applicant to demonstrate its ability explain its business plan and ability to meet the FA Objectives described in the Application?

10. Business Plan. Is the data and information requested in the Application to assess the business plan adequate to assess the different CDFI activities?

11. Business Plan. What, if any, additional data and information should be collected to assess business plan activities?

12. Beneficiary Data. The CDFI Fund currently collects beneficiary data by income level in the Beneficiary Snapshot table to assess how well an organization is serving communities in economic distress. Reported data in this table combines those receiving Development Services and those receiving Financial Products/Financial Services and is only requested for the Applicant's most recent historic fiscal year.

a. The CDFI Fund is proposing to request beneficiary data separately for 1) Financial Products/Financial Services and 2) Development Services to provide a more accurate depiction of beneficiaries served. Is the proposal for separating out the beneficiary data points between beneficiaries receiving Financial Products/Financial Services versus those receiving Development Services appropriate? If not, why not? Will this proposed change be difficult or overly burdensome to report?

b. The CDFI Fund is considering to request beneficiary data projections for the three year Period of Performance to help assess the impact an Applicant's proposed activity with the FA award. Is the proposal to collect projected beneficiary data appropriate for use in assessing the impacts of an Applicant's proposed activity with the FA award? If not, why not? Will this proposed data collection be difficult or overly burdensome to report?

13. FA Objectives. Currently, FA Applicants can select from the following list of seven FA Objectives (FAO): 1-1: Increase Volume of Financial Products, 1-2: Increase Volume of Financial Services, 1-3: New Geographic Area(s), 1-4: New Financial Product(s), 1-5: New

Financial Service(s), 1-6: New Development Service(s), and 1-7: New Targeted Population(s).

The CDFI Fund proposes to eliminate certain FAOs that are difficult to measure, evaluate and administer. Further, these FAOs are rarely selected by Applicants.

a. The CDFI Fund proposes to eliminate FAO 1-1: Increase Volume of Financial Services from the list of FAOs to select in the FA Application. However, Financial Services is still an eligible use of the FA award. Would all types of regulated CDFIs still be interested in applying if they could no longer select this FA Objective and required to select another one instead? If no, why not?

b. The CDFI Fund proposes to eliminate FAO 1-5: New Financial Services from the list of FAOs to select in the FA Application. However, Financial Services is still an eligible use of the FA award. Would all types of regulated CDFIs still be interested in applying if they could no longer select this FA Objective and required to select another one instead? If no, why not?

c. The CDFI Fund proposes to eliminate FAO 1-6: New Development Services from the list of FAOs to select in the FA Application. However, Development Services is still an eligible use of the FA award. Would all types of CDFIs still be interested in applying if they could no longer select this FA Objective and required to select another one instead? If no, why not?

14. FA Objectives. Currently, to select FAO 1-1: Increase Volume of Financial Products, an Applicant's three years of projected lending activity must exceed its historic three years of lending activity plus the FA award amount ("Increase in Volume"). The Increase in Volume becomes a Performance Goal & Measure (PG&M) in the Assistance Agreement. The CDFI Fund proposes to change the Increase in Volume formula for FAO 1-1: Increase Volume of Financial Products to be more consistent with other FAO PG&Ms and to more directly align with the amount of the FA award. One option is for the formula to be a multiplier of the award amount plus the Applicant's historic three years of lending activity. For example, for a \$1 million award, if the multiplier were 2 and the Applicant's three most recent years of historic of lending were \$10 million, the FAO 1:1: Increase Volume of Financial Products PG&M would be \$12 million

(\$1 million FA award times multiplier of 2 plus \$10 million historic lending equals \$12 million).

For more detailed explanation of the proposed formula, please see Question 4d in the FA Application Template, found on the CDFI Fund's website at <https://www.cdfifund.gov/requests-for-comments>. The CDFI Fund is seeking input on the proposed change to FAO 1-1: Increase Volume of Financial Products. Is a multiplier of the FA award plus three years of historic lending an appropriate formula for FAO 1-1: Increase Volume of Financial Products PG&M? If yes, should the CDFI Fund require a standard multiplier or allow Applicants to propose their own multiplier as part of the Application? If a standard multiplier, what should the multiplier be? If a multiplier of the award plus three years of historic lending is not appropriate, why is it not an appropriate formula and what should the formula be?

15. Ability to Serve Native Communities. Should the CDFI Fund adjust its FA Application in order to better collect information and evaluate an Applicant's ability to serve the unique needs of Native Communities? If yes, what questions should the CDFI Fund include in the FA Application and what evaluation factors should the CDFI Fund consider when evaluating an Applicant's ability to serve the unique needs of Native Communities?

B. Technical Assistance (TA) Application

The following questions are related to the burden and information requested in the TA Application, and responses may be used to make modifications to the information being requested in the TA Application. Commenters should clearly distinguish their comments related to this section when providing their responses and ensure comments are clearly labeled corresponding to each section and question number.

1. Is the information that is proposed to be collected by the Application necessary and appropriate for the CDFI Fund to consider for the purpose of making award decisions?
2. Are certain data fields, questions or tables redundant or unnecessary? If yes, which ones and why?

3. Should any data fields, questions or tables be added to ensure collection of relevant information?
4. Are there requests for data in the Application that Applicants do not have readily available or that are burdensome to obtain and/or calculate?
5. Are any of the questions particularly burdensome or difficult to answer? If yes, which ones and why?
6. Are there questions that lack clarity as to intent or purpose? If yes, which questions, and what needs to be clarified in order for Applicants to provide a comprehensive response?
7. Are the character limitations for narrative responses appropriate? Should certain questions allow additional or fewer characters? If so, please specify.
8. What additional guidance can the CDFI Fund provide in order to assist Applicants with completing a TA Application?
9. *Evaluation Criteria by Application Type.* Do the questions in the TA Application allow the Applicant to clearly address the evaluation criteria for the following Applicant types? If no, what additional information should be included in the Application for each Applicant type?
 - (a) An Emerging and Certifiable CDFI and its ability to achieve certification;
 - (b) A Sponsoring Entity and its ability to create and receive certification for a new CDFI; and
 - (c) A Certified CDFI and its ability to build its capacity to expand operations, offer new products or services, or increase the volume of current business?
10. *Capacity to Serve Target Market(s).* The primary purpose of making a TA award to a Certified CDFI is to increase its capacity to serve its Target Market(s). How can the CDFI Program and NACA Program update the TA Application in order to make a more accurate determination as to whether or not a TA award will increase a Certified CDFI's capacity to serve its Target Market(s)?

11. Eligible Uses of Funds. Does the current TA Application, related guidance materials, and NOFAs provide sufficient clarity to help potential Applicants clearly understand what are, and are not, eligible uses of TA funds?

12. Ability to Serve Native Communities. Should the CDFI Fund adjust its TA Application in order to better collect information and evaluate an Applicant's ability to serve the unique needs of Native Communities? If yes, what questions should the CDFI Fund include in the TA Application and what evaluation factors should the CDFI Fund consider when evaluating an Applicant's ability to serve the unique needs of Native Communities?

13. Sponsoring Entities. The NACA Program allows organizations that serve Native Communities, Sponsoring Entities, to apply for TA awards in order to create a new legal entity that will become a Certified CDFI. In recent history, Sponsoring Entities have largely struggled to find success in establishing a Certified CDFI. Between 2013 and 2020, only two Sponsoring Entities have created new legal entities that ultimately achieved CDFI Certification.

a. What questions should the Application include in order to better assess a Sponsoring Entity's ability to successfully create an emerging CDFI within one year and ensure that the emerging CDFI achieves CDFI Certification within four years?

b. Should the CDFI Fund require Sponsoring Entities to create the new legal entity that will become the Certified CDFI before being eligible to receive a NACA TA award?

C. Healthy Food Financing Initiative-Financial Assistance (HFFI-FA) Application

The following questions are related to the burden and information requested in the HFFI-FA Application, and responses may be used to make modifications to the information being requested in the HFFI-FA Application. Commenters should clearly distinguish their comments related to this section when providing their responses and ensure comments are clearly labeled corresponding to each section and question number.

1. Is the information being collected sufficient to determine whether an Applicant 1) is financing eligible Healthy Foods transactions and 2) can deploy an HFFI-FA award? If no, what other

information should the CDFI Fund collect in order to determine whether an Applicant is financing eligible Healthy Foods transactions and can deploy an HFFI-FA award?

D. Persistent Poverty Counties-Financial Assistance (PPC-FA) Application

The following questions are related to the burden and information requested in the PPC-FA Application, and responses may be used to make modifications to the information being requested in the PPC-FA Application. Commenters should clearly distinguish their comments related to this section when providing their responses and ensure comments are clearly labeled corresponding to each section and question number.

1. Is the information collected sufficient to determine whether an Applicant 1) is providing eligible financing in Persistent Poverty Counties and 2) can deploy a PPC-FA award? What other information should the CDFI Fund consider in order to determine whether an Applicant is providing financing in Persistent Poverty Counties and can deploy a PPC-FA award?

E. Disability Funds-Financial Assistance (DF-FA) Application

The following questions are related to the burden and information requested in the DF-FA Application, and responses may be used to make modifications to the information being requested in the DF-FA Application. Commenters should clearly distinguish their comments related to this section when providing their responses and ensure comments are clearly labeled corresponding to each section and question number.

1. Is the information collected sufficient to determine whether an Applicant 1) is financing eligible DF-FA transactions and 2) can deploy a DF-FA award? What other information should the CDFI Fund consider in order to determine whether an Applicant is financing eligible DF-FA transactions and can deploy a DF-FA award?

F. Other CDFI Program and NACA Program-Related Topics and Considerations

The following questions are related to CDFI Program and NACA Program policy topics and will not impact the burden or information requested in the Applications. Responses to these questions may inform future areas of focus for program design and information requested in future

Applications. Commentators should clearly distinguish their comments related to this section when providing their responses.

1. Measuring Economic Distress. The CDFI Fund is considering developing place-based indicators to measure economic distress in the communities where CDFIs invest their dollars at the census tract level.

a. Are the following indicators appropriate to measure track record of serving economically distressed communities/populations? What, if any, other metrics should be used to measure the level of economic distress of communities/populations served?

i. Median Family Income (MFI): Calculated by dividing MFI of the census tract by the appropriate benchmark (Metropolitan Statistical Area MFI, state MFI, national metro MFI, or national non-metro MFI). For example, if MFI share is 136.9%, it means the census tract has an MFI that is 36.9% larger than the corresponding geographic benchmark. The benchmark used to calculate the MFI share of a tract is dependent on whether the census tract is within a metro or non-metro area. Within a metropolitan area, the Metropolitan Statistical Area MFI or the national metropolitan area MFI, whichever is greater is used. Outside of a metropolitan area, the statewide non-metropolitan area MFI or the national non-metropolitan area MFI, whichever is greater is used.

ii. Unemployment Rate: Represents the number of unemployed people living in the census tract as a percentage of the labor force (the sum of the employed and unemployed).

iii. Poverty Rates: The ratio of the number of people living in the census tract whose income falls below the poverty line (minimum level of income deemed adequate in a particular area) as a percent of the population.

iv. Historical Poverty: An average of the poverty rates of people living in the census tract in the most current and previous two decennial censuses for the census tract.

v. Percentage of Other Targeted Populations residing in the underlying census tracts:

Represents the number of OTPs living in the census tract as a percentage of the population.

b. For CDFIs with Low Income Target Population or Other Targeted Population Target Markets (versus geographically based Target Markets), are the indicators listed above in Question 1. appropriate to measure the track record of serving economically distressed communities/populations? What, if any, other metrics should be used to measure the level of economic distress of communities/populations served?

2. *Deep Impact Lending.* In addition to assessing an Applicant's track record serving economically distressed communities/populations and creating economic opportunities, the CDFI Fund is interested in incorporating an Applicant's commitment to "deep impact" lending/investment in its projected activity as part of the evaluation and/or compliance process. "Deep impact" lending/investment is financing activities that reach the hardest to serve borrowers and most underserved communities/populations.

a. Please provide input on the proposed definitions /metrics to qualify as "deep impact" lending, as defined by the U.S. Department of Treasury's Emergency Capital Investment Program (ECIP) Rate Reduction Incentive Guidelines. Are the following definitions appropriate to measure "deep impact" lending/investment for CDFIs? If not, why not? What, if any, other definitions/metrics should be used to qualify as "deep impact" lending/investment?

i. *Lending/investment to Low-Income Borrowers.* Low-Income means equal to or less than 80% of the area median income.

ii. *Mortgage Lending to Other Targeted Populations*

iii. *Lending/investment in Persistent Poverty Counties (PPC):* PPC includes any county, including county equivalent areas in Puerto Rico, that has had 20% or more of its population living in poverty over the past 30 years, as measured by the 1990 and 2000 decennial censuses and the 2011–2015 5- year data series available from the American Community Survey of the Bureau of the Census or any other territory or possession of the United States that has had 20% or more of its population living in poverty over the past 30 years, as measured by the 1990, 2000 and 2010 Island Areas Decennial Censuses, or equivalent data, of the Bureau of the Census.

iv. Lending/investments in Indian Reservations and Native Hawaiian Homelands

v. Lending/investments in U.S. Territories: U.S. Territories include American Samoa, Guam, Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands.

vi. Lending/investments to Underserved Small Businesses: A loan/investment made to a business with revenues that do not exceed \$100,000 or that is majority owned by individual(s) that are low income and/or from Other Targeted Populations.

vii. Deeply Affordable Housing Financing: Financing for any (1) affordable housing units restricted to households earning below 30% of AMI for a period not less than 10 years, prorated based on the percentage that such units make up the total number of housing units; or (2) affordable housing development project in a “high opportunity area” as defined by the Federal Housing Finance Agency (FHFA).

viii. Public Welfare and Community Development Investments: Public Welfare Investments pursuant to 12 U.S.C. 24(eleventh) or 12 U.S.C. 338a if they primarily benefit Low-Income or Minority individuals or businesses.

b. The CDFI Fund is contemplating adding a CDFI’s commitment to engage in “deep impact” lending going forward as part of the evaluation process and/or compliance process. As such, the CDFI Fund is considering adding a new PG&M based on an Applicant’s projected activity for “deep impact” lending and investment. The new PG&M would be an additional performance goal and would not replace existing PG&Ms. Is it appropriate to consider “deep impact” lending/investment as part of the evaluation process? How should such a PG&M be structured – as a percentage of overall projected activity, a percentage of the FA award amount, a dollar volume commitment to deep impact lending/investment, or something else (please describe)?

3. Net Asset Ratio. The CDFI Fund is interested in prioritizing FA awards to CDFIs that are most effectively leveraging their balance sheet and the resources they already have available to them, and for which an FA award is the most essential for the CDFI’s growth and ability to leverage additional funds to serve communities in need. A CDFI’s Net Asset Ratio represents a CDFI’s

net assets compared to its total assets and can be a measure of the overall capital structure of an organization. Is a CDFI's Net Asset Ratio the appropriate measure to assess if a CDFI is effectively utilizing its balance to leverage resources? If yes, what should the target Net Asset Ratio be? If not, what is the appropriate measure(s) and target benchmark(s)?

4. Small and Emerging CDFI Assistance. CDFIs may qualify as Small and Emerging CDFI Assistance (SECA) Applicants if their asset size does not exceed a pre-determined maximum amount based on financial institution type OR if they have conducted financing activities for four years or less prior to the opening of the funding round. Certified CDFIs that exceed the pre-determined maximum asset size thresholds and have more than four years of financing activity are considered as Core Applicants. Currently, SECA Applicants have different Application requirements and evaluation parameters than Core Applicants because of their small and/or emerging status. Mainly, Matching Funds requirements are typically waived for SECA Applicants. Also, a higher percentage of the SECA Applicant pool progresses from Step 3 to Step 4 of the award evaluation process (the top 70% of SECA Applicants versus top 60% of Core Applicants).

a. The CDFI Fund is seeking input on whether there should be a maximum number of three FA awards a CDFI can receive as a SECA Applicant. In other words, should CDFIs be required to apply as Core Applicants after they receive a maximum number of three FA awards under the SECA designation, regardless of asset size or financial activity start date of the CDFI? If not three, what should that maximum number of SECA awards be? If there should be no limit on the number of FA awards that a CDFI can receive as a SECA Applicant, why not?

b. As noted above, organizations may qualify for SECA if they started financing activities no more than four years prior to the opening of the funding round, regardless of asset size. Is the start date for financing activity to qualify for SECA appropriate? If not, what should it be? What, if any, other changes would you make to the financing activity start date component of the SECA definition?

5. Small and Emerging CDFI Assistance. As noted above, organizations may qualify as SECA Applicants if their asset size does not exceed a pre-determined maximum amount based on financial institution type, regardless of financial activity start date. SECA asset size thresholds have not been uniformly assessed and updated across all financial institutions types. The CDFI Fund is seeking input on the SECA maximum total asset size thresholds as follows:

a. Banks: Updating the threshold from \$250 million to \$346 million for banks/bank holding companies, which corresponds to the FY 2022 Community Reinvestment Act (CRA) asset size threshold for small banks set by the Federal bank regulatory agencies. This practice is consistent with the CDFI Fund's Bank Enterprise Award (BEA) Program, which uses asset size classes that correspond to CRA asset size thresholds in determining the cut off for small institutions. Should the threshold be updated? If yes, is \$346 million the appropriate threshold? If not, what is the appropriate threshold and why? Should the threshold be updated regularly to correspond with updates to the CRA asset size threshold for small institutions?

b. Credit Unions: Retaining the current threshold of \$100 million for credit unions, which aligns with the current National Credit Union Administration (NCUA) definition for small institutions. Should this threshold be retained? If it should not be retained, what is the appropriate threshold and why? Should the threshold be updated regularly to correspond with updates to NCUA's definition for small institutions?

c. Unregulated Institutions: The SECA asset size threshold for unregulated institutions is \$5 million and has not been updated since 2006. The CDFI Fund is considering updating the SECA asset threshold for unregulated institutions. One option is to adjust the current \$5 million threshold for inflation using the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), the same index used by the Federal Reserve Board and Federal Depositary Institution Corporation (FDIC) in adjusting its threshold amounts for small banks. Using the CPI-W to adjust the \$5 million threshold in 2006 dollars would represent approximately \$7.5 million in 2022 dollars. Should the threshold be updated? If yes, is \$7.5 million the appropriate

threshold? If \$7.5 million is not the appropriate threshold, what is the appropriate threshold and why? If the threshold should not change, why should it remain \$5 million? Should the threshold be updated regularly? If not, why not? If yes, is the CPI-W the appropriate inflation factor to use? If not, what source should be used as the benchmark for the updates?

6. Small and Emerging CDFI Assistance. Per the FY 2022 NOFA, the maximum FA award request for SECA Applicants is currently \$700,000 whereas the maximum FA award request for Core Applicants is \$1 million. Currently an FA Applicant that meets SECA requirements (called “SECA qualified Applicant”) may choose to apply as a Core Applicant if the Applicant wants to request more than the \$700,000 SECA maximum award request (up to the \$1 million maximum award request for Core Applicants). SECA qualified Applicants that apply as Core are treated as Core Applicants, and are held to the Application requirements and evaluation parameters of a Core Applicant. The CDFI Fund is considering removing the option for SECA qualified Applicants to apply as Core Applicants, therefore only allowing SECA qualified Applicants to apply under the SECA Application (which would mean all SECA qualified Applicants would be limited to the lower maximum award request).

a. What feedback do CDFIs have on removing the option for SECA qualified organizations to apply as Core Applicant?

b. Are there ways the CDFI Fund can implement this change to minimize impacts to the affected Applicants?

7. Funding Levels for CDFIs. The CDFI Fund is prohibited by statute from obligating more than \$5 million in CDFI and NACA Program awards, in the aggregate, to any one organization and its Subsidiaries and Affiliates during any three-year period. Should the \$5 million funding cap be reduced? If yes, what should the funding cap be?

8. Funding Levels for CDFIs. Should larger CDFIs be limited on the total dollar amount or number of FA awards they receive within a certain timeframe? If yes, what should be the minimum asset size to be classified as a larger CDFI for each type of unregulated institution,

bank/bank holding company, and credit union? For the purposes of this Request for Public Comment, the CDFI Fund proposes the following asset sizes for “larger CDFIs”:

- Banks with assets of more than \$1.5 billion
- Credit Unions with assets of more than \$1 billion
- Unregulated institutions with assets of more than \$25 million

9. Funding Levels for CDFIs. Please fill in the blanks for each for each institution type of unregulated institution, bank/bank holding company, and credit union: “CDFIs with asset size over \$__ can receive a maximum of \$__ in CDFI and NACA Program FA awards every __ years.”

10. Continued Viability for CDFIs. The Riegle Act requires that Applicants for FA provide a comprehensive strategic plan for the organization that contains a business plan of not less than five years in duration. The plan should demonstrate that the Applicant will be properly managed and will have the capacity to operate as a CDFI that will not be dependent upon assistance from the CDFI Fund for continued viability.

a. To what extent are CDFIs reliant on FA funding from the CDFI Fund for their continued viability?

b. What do CDFIs need in order to be independent from the CDFI Fund’s assistance for continued viability? Would a program model in which CDFIs receive significantly larger award sizes for a three- to five-year period support viability independent from the CDFI Fund? If not, what would support a CDFI’s growth towards such independence?

11. Sponsoring Entities. As noted earlier, the NACA Program allows organizations that primarily serve Native Communities, Sponsoring Entities, to apply for TA awards in order to create a new legal entity that will become a Certified CDFI. In recent history, Sponsoring Entities have largely struggled to find success in establishing a Certified CDFI. Between 2013 and 2020, only two Sponsoring Entities have created new legal entities that ultimately achieved CDFI Certification. Should the CDFI Fund consider eliminating the Sponsoring Entity model and focus resources on

building the capacity of emerging Native CDFIs in other ways? If yes, please specify other ways in which the CDFI Fund can support the creation of new Native CDFIs. If no, please specify why this model is needed and what enhancements would be beneficial to increasing the success of Sponsoring Entities creating a legal entity that achieves CDFI Certification.

(Authority: Pub. L. 103-325; 12 U.S.C. 4703, 4703 note, 4710, 4717; 31 U.S.C. 321; 12 CFR part 1805)

Jodie L. Harris,

Director, Community Development Financial Institutions Fund.

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